

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-07
NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03
H-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
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INFO AMEMBASSY DAR ES SALAAM

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AMCONSUL ZANZIBAR

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E. O. 11652: N/A

TAGS: BGEN, ECIN, PFOR, KE, TZ, UG

SUBJ: CONTROVERSY RESUMES IN EAST AFRICAN COMMUNITY

REF: DAR ES SALAAM 4510

1. KENYANS RESPONDED PREDICTABLY IN KIND TO NYERERE'S COMMENTS REPORTED REFTEL ON FUTURE OF EAST AFRICAN COMMUNITY (EAC). ANOTHER ROUND OF BILLINGSGATE HAS OPENED JUST AS REVIEW COMMISSION ABOUT TO REPORT ITS CONCLUSIONS.
2. ANONYMOUS KENYAN SPOKESMAN, UNDOUBTEDLY PERMSEC GEOFFREY KARIITHI IN PRESIDENT'S OFFICE, LASHED TANZANIA FOR "TRADE SABOTAGE" AND FOR BEING EXCESSIVELY PROFLIGATE WITH EAST AFRICAN FUNDS IN EXPANDING AND IMPROVING PORTS OF DAR AND TANGA. BY TRADE SABOTAGE HE MEANT TANZANIA'S PREFERRING TO BUY CHINESE RATHER THAN KENYAN IN ORDER TO OFFSET CHINESE EXPENDITURES ON TANZAM RAILROAD.
3. LEAVING BONA FIDES OF NYERERE ASIDE, KENYA'S OWN NON-SEQUITUR'S CAN ONLY BE POLITICALLY MOTIVATED. KARIITHI WAS

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ABSURD, FOR EXAMPLE, IN COMPLAINING THAT TANZANIA DOES NOT

BUY MORE FROM KENYA. KENYA'S TRADE BALANCE WITH TANZANIA WAS FAVORABLE BY RATION OF 2.3 TO 1 IN 1975. DURING FIRST 3 MONTHS OF 1976 RATION IMPROVED FOR KENYA, 3 TO 1. NYERERE'S CASE AGAINST KENYA ON TRADE IS FURTHER ESTABLISHED BY CONSIDERING KENYA'S TRADE WITH UGANDA. HERE TRADE GAP WAS 20 TO 1 IN KENYA'S FAVOR (1975), AND IN FIRST THREE MONTHS OF 1976 ROSE TO 40 TO 1. ADMITTING UGANDANS SMUGGLE COFFEE AND OTHER GOODS TO KENYA, THE DISTORTION IS TELLING.

4. ANOTHER TANZANIAN COMPLAINT WHICH SEEMS VALID IS THAT KENYA GETS THE LION'S SHARE OF TOURISM (\$96 MILLION IN 1975). JOINTLY OWNED BY THREE PARTNER STATES, EAST AFRICAN AIRWAYS (EAA) WAS SUPPOSED TO LURE TOURISTS TO ALL OF EAST AFRICA, NOT JUST KENYA. FACT IS, KENYA'S TOURISTIC INFRASTRUCTURE IS VIEWED BY TOURISTS AS SUPERIOR TO TANZANIA'S, THOUGH TANZANIA'S ATTRACTION IN ANIMALS AND SCENIC BEAUTY MAY BE GREATER. TOURISTS OPT FOR COMFORT.

5. KENYA CLAIMS THAT TANZANIA AND UGANDA HAVE GUMMED UP WORKS OF AT LEAST TWO EAC CORPORATIONS BY NOT TRANSFERRING HARD CURRENCY PROMPTLY FROM REGIONAL OFFICES TO HEAD-QUARTERS IN NAIROBI. RAILWAYS ARE ALREADY BROKEN UP DE FACTO. EAA CURRENTLY HAS NO LIQUIDITY AND IS TECHNICALLY BROKE. MOBIL, WHICH ALONG WITH SHELL SUPPLIES EAA WITH FUEL, PUT EAA ON CASH BASIS DEC 9. BANKS IMPOSED FIFTY MILLION SHILLINGS LIMIT ON OVERDRAFT, WHICH IS FULLY DRAWN. GENERAL MANAGER, MOBIL, TOLD EMBOFF TANZANIA RECENTLY MET ITS OWN TRANSFER OBLIGATIONS BY SENDING 5 MILLION SHILLINGS (EQUIVALENT) TO NAIROBI, BUT UGANDA STILL OWES 40 MILLION SHILLINGS. THERE ARE REPORTEDLY TEN MILLION SHILLINGS FROM UGANDA WORKING THEIR WAY THROUGH BANKING SYSTEM, WHICH IS EXPECTED TO KEEP EAA FLYING.

6. VIEWED FROM VANTAGE POINT OF EITHER SCHOOL OF ECONOMIC INTEGRATION, THAT EMPHASIZING COMPETITION OR THAT TOUTING COMPLEMENTATION, KENYA'S ECONOMIC PHILOSOPHY AND RELATIVE PROSPERITY HAVE CAUSED "PROBLEMS." KENYA IS ATTRACTING MORE FOREIGN INVESTMENT, SUFFERS LESS FROM INEFFICIENCIES OF STATISM, AND IS ENJOYING MODEST ECONOMIES OF SCALE IN ITS LIMITED OFFICIAL USE

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FLEDGLING MANUFACTURES. COMPLEMENTATION HAS NOT WORKED WELL EITHER. FIRESTONE WAS PERMITTED TO ESTABLISH IN KENYA AFTER GENERAL TIRE WAS ALREADY OPERATING IN TANZANIA. THERE HAS BEEN DUPLICATION IN PRODUCTION OF DRY CELL BATTERIES, FOOD PRODUCTS, AND, ABOUT ALL, TEXTILES.

7. COMMON MARKET IS NOW LABORING IN ALARMING WAY. DRASTIC CONCESSIONS ON ALL SIDES, PARTICULARLY KENYA'S, WOULD BE

NEEDED TO KEEP IT BREATHING. KENYA DOES NOT WANT THE DRAG.
REVIEW COMMISSION MAY TRY TO PUSH HUMPTY DUMPTY BACK UP ON
THE WALL, BUT RAILWAYS AND EAA WILL PROBABLY CRACK UP LATER
ANYWAY. PRIVATELY, THERE SEEMS LITTLE DOUBT THAT KENYA WOULD
LIKE TO FORMALIZE EAA INTO KENYA AIRLINES. THE FUTURE MAY NOT
SIGNIFY MUCH BEYOND A FEW INTER-TERRITORIAL SERVICES, SUCH AS
STATISTICS, METEOROLOGY, PLANT PATHOLOGY, AND HUMAN-DISEASE
RESEARCH.

DECON 12/9/78.
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